



LATE TESTIMONY
IN REPLY REF

STATE OF HAWAII
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
Honolulu, Hawaii 96813
FAX: (808) 587-0600

Statement of
Karen Seddon
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON FINANCE
February 28, 2012 at 11:00 a.m.
Room 308, State Capitol

In consideration of
H.B. 2412 RELATING TO HOUSING.

The HHFDC ***strongly opposes*** H.B. 2412. We defer to the Hawaii Public Housing Authority with respect to section 4 of this bill only. If H.B. 2412 is passed, it will have a negative and unsettling effect upon affordable housing development.

The Dwelling Unit Revolving Fund (DURF) was initially funded through a series of General Obligation Bond appropriations totaling \$125 million. The Legislature required that only the interest on the bonds be repaid (not the principal). All of the interest on the original General Obligation Bonds was paid back in the mid to late 1990s. From 1995-2009, there were a series of transfers from DURF to the General Fund totaling \$46 million. Following these transfers, HHFDC had to limit the interim construction financing program to sustain DURF, which impeded our housing mission. The General Obligation Bond infusions authorized in 2008 and 2009, totaling \$30 million, helped to restore the effectiveness of the program, allowing us to make more functional loans to support additional affordable housing development.

Section 2 of H.B. 2412 would authorize the appropriation to the General Fund of "unencumbered and unexpended" DURF balances as of July 1, 2012. DURF is primarily used to fund interim construction loans for the development or preservation of affordable housing. It is our understanding that, from an accounting standpoint, no DURF interim construction loan, even after the loan closing, is ever considered "encumbered". Such loans are commitments on the DURF, but not encumbrances. This language would allow the Legislature to appropriate any remaining loan balances that have not yet been drawn down by a developer as of July 1, 2012, and could potentially stop projects mid-stream.

Although this bill specifically appropriates \$8 million out of DURF in FY 2013, the authority to make additional appropriations out of DURF would remain through FY 2014. The uncertainty and risk this language creates could put all affordable housing development at risk that is financed with DURF funds until the bill's sunset date on June 30, 2014. Although its purpose is to "promote[e] economic recovery and job creation," the jobs and economic impact of the construction projects H.B. 2412 jeopardizes are significant. For every million dollars of total project value of a multifamily high-rise development, 4 direct construction jobs and 7 indirect jobs are created, and \$650,000 in state revenue is generated. Because DURF project loans generally leverage private financing, its economic impact is multiplied as compared to direct expenditures of state funds as proposed in this bill.

We understand and support our sister agency, the Hawaii Public Housing Authority, in its efforts to address its repair and maintenance needs. **However, leveraging limited state resources through public-private partnerships can provide a much broader, long-term solution for the renovation and long-term preservation of low-income rental units.** For example, HHFDC provided tax-exempt bonds and non-volume cap Low-Income Housing Tax Credits to help finance the acquisition and rehabilitation of Kuhio Park Terrace. Since the bond closing late last Fiscal Year, one of the two towers at the former HPHA project has been completed, and work is already proceeding on the second tower. We believe that this is a much more promising model going forward.

We respectfully request that the Committee hold this bill. Thank you for the opportunity to testify.

NEIL ABERCROMBIE
GOVERNOR



HAKIM OUANSAFI
EXECUTIVE DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
HAWAII PUBLIC HOUSING AUTHORITY
1002 NORTH SCHOOL STREET
Honolulu, Hawaii 96817

BARBARA E. ARASHIRO
EXECUTIVE ASSISTANT

Statement of
Hakim Ouansafi
Hawaii Public Housing Authority
Before the

HOUSE COMMITTEE ON FINANCE

February 28, 2012 11:00 A.M.
Room 308, Hawaii State Capitol

In consideration of
House Bill 2412
Relating to Housing

Honorable Chair and Members of the House Committee on Finance, thank you for the opportunity to provide you with comments regarding House Bill 2412, relating to housing.

The Hawaii Public Housing Authority (HPHA) supports the enactment of this measure, provided that its passage does not replace or adversely impact priorities indicated in our Executive Budget. The measure would, in pertinent part to the HPHA, appropriate \$8,000,000 in funds from the general revenues of the State for the much needed repair and maintenance of public housing units.

While the HPHA appreciates the overall concept and intent of this bill, as it includes initiatives supportive of our goals and objectives, we are concerned about potential budget implications of the proposal. Our agency recognizes the good work done by the Hawaii Housing Finance and Development Corporation (HHFDC) through the use of the Dwelling Unit Revolving Fund.

The HPHA appreciates the opportunity to provide the House Committee on Finance with the agency's position regarding H.B. 2412. We respectfully request the Committee to pass this measure favorably, and we thank you very much for your dedicated support.



LATE TESTIMONY

Michaels Development Co.
Interstate Realty Management Co., AMO®
Michaels Military Housing
Prestige Building Co.
Prestige Affordable Housing
Equity Partners, LLC
Continental Mortgage Corp.
University Student Living, LLC
Michaels Management Services

February 28, 2012

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House Committee on Finance
State Capital
Hearing Conference Room 308
415 South Beretenia Street
Honolulu, HI 96813

RE: Written Testimony
Opposing HB2412: Related to Housing
Hearing Date: February 28, 2012 at 11 am

Dear Honorable Chair Representative Marcus R. Oshiro:

The Michaels Development Company is a private sector firm with over 35 years of experience in producing top quality, affordable housing. Since 1973, Michaels has developed and rehabilitated over 45,000 units in 33 states, the District of Columbia, and the U.S. Virgin Islands. Michaels has overseen over \$2.5 billion of new construction and substantial rehabilitation with a portfolio that includes over 100 communities affordable to lower income households and seniors through project based Section 8 and the leveraging of other federal assistance programs, as well as over 70 communities affordable to working families through the use of low income housing tax credits.

We are writing in opposition to HB 2412 which temporarily allows the Dwelling Unit Revolving Fund (DURF) to reimburse the General Fund for the principal of General Obligation Bonds issued for housing projects. The DURF program is an important and integral funding source for affordable housing as it is used primarily to fund interim construction loans for the development or preservation of affordable housing.

Section 2 of HB 24123 would allow the appropriation to the General Fund of "unencumbered and unexpended" DURF balances as of July 1, 2012. It is our understanding that DURF loans are considered "commitments" not "encumbrances." The proposed language would put current developments that are utilizing the DURF program at risk by allow any remaining loan balances that have been committed to the

development, but not drawn down by Developers, to be appropriated to the General Fund. Not only could this stop developments in mid-stream, it also places an even larger barrier to closing on future affordable housing development.

DURF is generally used with the Low Income Housing Tax Credit program for the new construction or preservation for affordable housing throughout the state. Although Michaels Development is currently not utilizing any DURF funds, we find the program a valuable funding source for the new construction and preservation of affordable housing in the State of Hawaii. We respectfully request that the Committee preserve the DURF allocation and program.

Thank you for considering our testimony.

Sincerely,



Monika Mordasini
VP, Development